

Maryland Department of Housing & Community Development

December 7th, 2015

Summary of the 2016 Qualified Allocation Plan & Guide Survey and “Community Café” Focus Group Results

During the past three months, the Maryland Department of Housing and Community Development has been in the process of gathering input and suggestions for the revision of the Maryland Qualified Allocation Plan for the allocation of Low Income Housing Tax Credits (the “QAP”) and the Multifamily Rental Financing Program Guide (the “Guide”). Together, the QAP and Guide establish the priorities and process for allocating a variety of competitive and non-competitive financing sources (including Low Income Housing Tax Credits and Rental Housing Program funds) that are available to promote the creation of affordable rental housing in the State of Maryland.

The QAP and Guide were last updated in a significant manner in 2013, and technical updates were made in 2014 and early 2015. The Maryland Department of Housing and Community Development has begun the process of a more substantive update to the QAP and Guide, and has sought the input of interested parties through an on-line survey and “Community Café” focus groups. A summary of the comments and suggestions that were received as a result of this outreach follows:

2016 Qualified Allocation Plan & Guide Survey Results

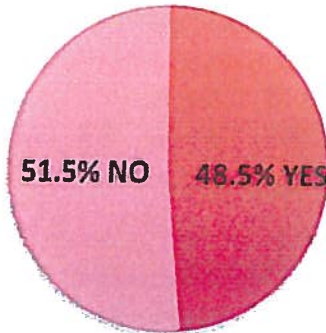
This Survey consisted of 10 questions regarding the QAP and Guide and was opened on September 22nd 2015 and was kept open until Friday October 23rd, 2015.

1. *The Department of Housing and Community Development has a series of Threshold requirements that all developments seeking financing from the Department must address. Is there specific Threshold requirements that you think should be removed, modified or added?*
 - Construction costs per square foot should increase in relation to an increase in development quality standards
 - Include a cost per unit option instead of current cost per square foot option
 - “Green” and “Energy Efficiency” criteria should be evaluated on a sliding scale based on performance metrics
 - Rehabs in place are more labor intensive and aggregate fees should be allowed 20% on large projects
 - Create a new category for senior housing
 - Require market study to identify the needs of the local market/submarket and use that to calculate the capture rate- not just the regional housing market
 - Site improvement costs should not be limited to 20% of total development costs and should be specific for different development projects
 - Lower income restriction from 60% of AMI to 30% of AMI for Persons with Disability units
 - Threshold 4.2.4- add provision that prevents any displacement of persons with disabilities

2. *The Department has established a 200 point scoring system by which prospective developments are ranked. Do you have any comments or suggestions regarding the relative weighting of points in the five major categories of scoring (Capacity of Development Team, Community Context, Public Purpose, Leveraging and Cost-Effectiveness, and Development Quality)?*
- More points should be given to buildings with high performance and low-toxicity
 - Remove negative point system under developer experience
 - Find a way to allow smaller non-profits to compete
 - The definition of Transit Oriented Development should be modified
 - Developments that are within a half mile of one bus line should get some points
 - Increase points awarded for projects in opportunity areas
 - Decrease the number of points for income targeting and increase points for tenant services and mixed income housing
 - Give more weight to public purpose and community context of a development project
 - Give less weight to development quality since it is already covered by threshold criteria
 - Redefine 5.5 Development Quality to "Development Sustainability and Quality" in order to promote long term resiliency of project
 - Points for projects in areas of opportunity should be higher
 - Increase points for development projects with non-profit developers and PHAs
 - Provide more opportunities for other MBE/DBEs to compete by not awarding points to an organization that has participated in more than 3 to 4 competitive rounds
3. *Sections 6 and 7 of the Guide outline Processing and Waiver requirements. Are there aspects of our Processing and Waiver requirements that you think we should change?*
- Waivers should be allowed with the application not only before
 - Waivers should be considered for the design fee caps for the design of high performance projects
 - Allow opportunity area projects to have longer processing time frames
 - There should be a deadline (2 or 3 weeks) for response times for a waiver on both sides
 - Decrease/ set deadline for responses to waivers on both sides
 - Department should define a timeframe for issuing an approval or disapproval of a waiver request
 - Waiver deadline should be closer to round deadline
 - Waiver requests should be open throughout submission
4. *Are there specific challenges that need to be addressed through the QAP and Guide to promote the development of affordable rental housing?*
- Too much weight is given to QCT and Areas of Opportunity, points should be given for areas in between
 - Increase the number of units in areas of opportunity by giving the discretionary basis boost for projects in opportunity areas
 - There should be a way to address areas that are not in a QCT or Area of Opportunity
 - Eliminate bias in scoring that disadvantage projects in area of opportunity
 - Ensure a balance approach to affordable housing in areas of opportunity and preserve existing housing where it may be
5. *Do you have any comments or thoughts regarding the development of intergenerational rental housing or use of funding to develop intergenerational rental housing?*
- Intergenerational housing is a good idea and it is time to try it

- Look at areas in the guide and scoring criteria that can be tweaked to allow for this type of development
 - Design for intergenerational rental housing must be appropriate.
 - Intergenerational housing is important for the elderly and persons with disabilities, it is important to integrate these individuals within the community and not segregate them
 - Because of accessibility and fair housing requirements, intergenerational housing might be difficult and challenging to do at the State level
- 6. *Should the Department take steps toward construction cost containment, and if so, how should this be done without jeopardizing the quality of construction?***
- Keep the square foot cost- not per unit cost.
 - Focus on overall project cost per unit containment and not cost per square foot
 - Construction costs are already contained and reducing it further will reduce the quality
 - Projects should earn points for meeting development quality while coming up below cost limits
 - Not practical or fair to push cost containment so that you do not need to rebuild the projects in 25 years
 - Construction costs should increase
 - The Department should evaluate construction costs on a regional level versus a standard State-wide approach
- 7. *Should the Department take steps toward cost containment related to soft costs and other fees, and if so, how?***
- No, soft costs and other fees are fairly set
 - Soft cost containment can hurt the industry and can undermine higher quality developments
 - Remove minimum costs and give points for efficient use of resources
 - QAP should include a Municipal Fees line item
 - Current QAP does a good job of cost containment related to soft costs already
- 8. *Please share any additional comments you have regarding Cost Containment.***
- Senior projects should not contain so many 2-bedroom units
 - Cost containment should not hinder accessibility
 - Guide section 5.4.3 Construction or Rehabilitation Cost outlines costs per square limits that are unrealistic in regard to current market conditions
 - Standards regarding size of units can help and it may be worth studying the size of units over the last 10 years
 - Preservation is a cost-efficient investment in affordable housing as per unit cost of new construction in Maryland is much greater than preservation
- 9. *Should project-based transportation efficient services factor into TOD definitions (Zip Car, Charging stations, etc.)?***
- There was a split in responses to this question

**Should project-based transportation
efficient services factor into TOD?**



10. Should the Department establish a definition of TODs in non-urban/suburban areas?

- Yes, there should be a TOD definition specifically for non-urban/suburban developments
- No, the Department should encourage areas in urban areas over suburban areas
- The main point of TOD is to create high density development in urban areas to reduce commute times, congestion, and emissions.

"Community Café" Focus Group Summary

Developer "Community Café" Focus Group

October 19th, 2015

What is working and not working from a scoring perspective?

- Concern over projects in QCTs being able to score higher than projects in community of opportunity.
- QAP must address areas that are not QCTs or communities of opportunity as those areas may have big opportunities for development.
- QAP must address ways in which senior housing can get funded.
- Federal law states that QCT projects should be given preference over other project developments.
- Projects in Communities of Opportunity are able to receive points for mixed-income developments versus projects in QCTs.

What is working and not working from an underwriting/processing perspective?

- Close out and draw process has improved, just need more work on getting all comments and issues resolved earlier in the underwriting process.
- Waiver deadlines should be 20-30 days before deadline rather than 45 days.
- Decrease time between application submission and funding submission due to site acquisition challenges.
- The Department should be more transparent and make applicant information available online as soon as possible for the public just like other states.

General Discussion

- Tenant service plan should be a threshold item because it is very subjective.
- Energy efficiency requirements make it difficult to contain costs.
- Amount of points need for general contractors reduces the pool of general contractors available to developers. This should be changed to create a more competitive environment.
- Construction costs and square foot cost limitation is an issue and it is not realistic to impose limitations.
- The Department should allow a basis boost for projects in communities of opportunity
- Awards for bonus points are subjective.
- The Department should be clearer as to how they make funding decision between projects that are tied for points.

Lenders and Investors "Community Café" Focus Group

October 23rd, 2015

What is working and not working in the draw process and coordination?

- There are positive comments from developers that the draw process is getting much better
- Development budget and draw budget should be the same
- Scheduling and timing needs to be improved
- Business plan needs to stay the same when it gets to the draw process so development and draw budget can be the same and if not then a why needs to be answered and have the flexibility to fix in non-tax credit deals.
- Other states have buckets a 90 day closing budget and a long term closing budget and the Department should consider doing the same.

What is working and not working from an underwriting/processing and scoring perspective?

- Process is well defined.
- Appraisals in rural development deals are not accurate. Developer's appraisal is always different from lender's appraisal for rural deals.
- Timing of schedule is usually lengthened from additional input of attorneys.
- The department should be more flexible when working with Public Housing Authorities.

Contractors and Architects "Community Café" Focus Group

October 26th, 2015

What is working and not working from a scoring perspective?

- Working:
 - Energy saving and conservation efforts
 - High level of clarity in the QAP and consistently using the 2013 QAP is also good.
 - Multifamily has been seeking dialogue with the market which is good
 - Maryland's development quality is better than most states
- Not working:
 - Cap on construction costs/ costs per square feet is not working well
 - Cost of doing business is higher in areas like Montgomery County, Cumberland, and Baltimore region compared to other areas
 - There are higher development standards in affordable housing compared to market rate housing.

What steps can be taken towards cost containment without jeopardizing construction quality?

- Costs are unknown and are related to certain codes
- Better streamlining with local jurisdiction permitting
- Cost per unite vs. Cost per square foot would work better
- Cost of senior living is more expensive per unit
- Remove division 2 cost from budget analysis
- Having flexibility in unit sizes
- Unspent contingency

Advocates and Associations "Community Café" Focus Group

October 30th, 2015

What is working and not working from a scoring perspective?
<ul style="list-style-type: none">• Family housing in areas of opportunity is underfunded• Areas of opportunity may not be in TODs• Some projects can get maximum points with less units• There are no points in the QAP related to affirmatively furthering fair housing• Consider set asides for family projects in Area of Opportunity, however set asides may conflict with federal rules• Give more points for projects with more accessibility features, and for extremely low income units
What is working and not working from an underwriting/processing perspective?
<ul style="list-style-type: none">• Have more transparency in scoring and let people know early on the details of projects/developers that applied.• Having funds go out twice a year would be good• Be flexible with timing and schedule due to opposition of projects in certain areas (NIMBY)• Smaller projects are at a disadvantage and more flexibility is needed for suburban projects• Create a waiver for projects on the edge of an area of opportunity if it is contributing to that area.• Waivers for accessibility cost so that it does not impinge on creation of accessible units.• Costs are higher in areas of opportunity and should get a basis boost.• Projects that provide service to transit should get TOD points• Projects approved for tax credits should be required to pay for reasonable modification of units for people with disabilities.• Allow higher development fees for projects in areas of opportunity because they face opposition• Remove TOD in the guide since it does not align with MDOT definition
General Discussion
<ul style="list-style-type: none">• Balance family housing in area of opportunities and QCTs• What will it take to house the homeless in Maryland? More funding should be directed at transitional housing. The department should look at Housing First concept.• "Specialty Needs" definition in the guide excludes non-elderly homeless and should be changed.• There should be requirements to help people in debt/criminal record get into housing.• Extra points should be given to developers with established relations with service providers.• Revisit projects on brownfields-do we want children on such sites?• Put the same values and criteria for 9% projects on 4% projects too.• Use State bonus points for projects that affirmatively further fair housing and/or furthers regional housing strategies.